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FOR IMMEDIATE RELEASE

Terry Goddard Filing Petition to Place Colorado City School District in Receivership

(Phoenix, Ariz. - August 11, 2005) Attorney General Terry Goddard will file a petition Friday – the first day legally possible – charging Colorado City School District officials with gross financial mismanagement and requesting the School District be placed in receivership.

“We now have a tool in place to help our children receive the education they need and deserve,” Goddard said. “The financial mismanagement of the Colorado City School District is egregious. It is time to put its finances in competent hands.”

The petition follows the enactment this spring of a state law that allows the Arizona State Board of Education to place a school district in receivership if it finds evidence of financial mismanagement. The new law takes effect Friday.

The petition, to be filed with the State Board of Education, outlines charges that include:

- **Excessive Expenditures and Misuse of Public Dollars**

The District has spent and continues to spend excessively and irresponsibly on administrative items, including travel, cellular phones, computer equipment, credit cards, vehicles and an airplane.

In 2002, the District purchased a 210 Cessna airplane for \$200,000. The District allocated an additional \$20,000 for airplane repairs, and hired Ladell Bisline, son of then governing board president F.L. Bistline, to pilot the plane at \$50 an hour. The Colorado City School District is the only Arizona school district that owns an airplane.

The District entered into a one-year landscaping and ground maintenance contract for \$107,700 despite owning maintenance equipment and having several maintenance employees. At the time the contract was executed, the District's property included two buildings – the District office building and the K-12 school building. The Fredonia School District, which is similar in size, spent only about \$8,000 a year on ground maintenance.

In 2004 the District spent excessive amounts on administrative costs despite declining enrollment. The percentage of money spent on the District's administration far exceeds the percent spent in other Arizona school districts of comparable size. For example, the Colorado City School District employed 23 administrative personnel, compared with six employed by the Fredonia School District.

The District spent excessive amounts of money to store cars at the Deer Valley, Scottsdale and Kingman airports for use when District governing board members, administrators and others traveled by plane to those locations.

District board members and administrators were allowed to take family members on school conferences and business trips, charging meals, hotel stays and merchandise for non-district personnel to the District. They then failed to reimburse the District.

District administrators made numerous inappropriate and unnecessary purchases. One purchase cited in the petition was four Panasonic surveillance cameras that cost more than \$4,000. At the same time, teachers were required to take a 15 percent across-the-board pay cut. The administration also made significant cuts to the teachers' health benefits.

- **Failure to Pay Teachers**

During the 2004-2005 fiscal year, the Colorado City School District exhausted all available funds as well as a line of credit with Wells Fargo Bank. Both Wells Fargo Bank and the Mohave County Treasurer refused to honor the District's warrants, leaving inadequate funds to cover checks for teachers and other District employees, who went unpaid for several weeks.

The Arizona Schools Risk Retention Trust, which provides insurance for Arizona public schools, has loaned the District about \$1.4 million. The District has yet to repay the \$1.4 million and is still unable to pay its teachers or vendors without assistance from the Trust.

- **Misuse of District Property**

The petition alleges that District Board members and administrators improperly sold and forfeited District property, funds and facilities that in the end benefited the private schools operated by the Fundamentalist Church of Jesus Christ of Latter-Day Saints (FLDS).

The District leased five buildings used for two elementary schools, a junior high school, a storage facility and a bus maintenance barn. These buildings were owned by the Colorado City Improvement Association, a subsidiary of the United Effort Plan Trust controlled by FLDS leaders. In August 2002, the District terminated the lease of these buildings, citing a surplus of classroom space, and the District forfeited over \$190,000 in prepaid rent.

In 2004, the Colorado City School Superintendent requested funds for a new K-6 elementary school, as well as building additions to the K-12 building, citing the need to accommodate the overcrowding in the K-12 school building.

Once the petition is filed with the State Board of Education and served on the Colorado City School District, it has 15 days to respond. A public meeting of the State Board of Education can be scheduled as soon as 35 days after filing.

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